



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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ARLINGTON, VIRGINIA 22202-2884

REPORT
NO. 91-014

November 23, 1990

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (FORCE
MANAGEMENT AND PERSONNEL)
DIRECTOR, OFFICE OF ECONOMIC ADJUSTMENT

SUBJECT: Report on the Audit of the 1990 Goodwill Games

Introduction

This is our report on the Audit of the 1990 Goodwill Games. The audit was requested by the Office of Economic Adjustment. The audit objective was to determine whether adequate controls existed over financial operations for the 1990 Goodwill Games and whether the financial operations were conducted in accordance with DoD policy and guidelines.

Discussion

The audit determined that adequate controls existed over financial operations for the 1990 Goodwill Games and that the financial operations were generally conducted in accordance with DoD policy and guidelines. Funds appropriated for the support of the 1990 Goodwill Games were judiciously managed, and it is likely that of the nearly \$20 million appropriated, \$8 million will not be spent. We found certain deficiencies that we brought to management's attention during the audit. Suggestions for improvement either had been or were being implemented at the time of this report.

Internal Controls

The audit disclosed no internal control weaknesses as defined by Public Law 97-255, Office of Management and Budget Circular A-123, and DoD Directive 5010.38.

Scope of Audit

We evaluated the adequacy and effectiveness of established financial and operating procedures, including the separation of duties for review and approval of DoD support, the qualifications of DoD personnel, and procedures for issuing and controlling the return of materials loaned to the 1990 Goodwill Games and obtaining reimbursement for lost or destroyed items. We also reconciled financial obligations and disbursements with supporting documentation and evaluated the adequacy of accounting procedures.

This performance audit was made between March and August 1990 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD, and accordingly included such tests of internal controls as were considered necessary. Enclosure 1 lists the activities we visited or contacted during the audit.

Background

The Federal Managers' Financial Integrity Act of 1982 requires each agency to establish internal controls in accordance with the standards prescribed by the Comptroller General.

The National Defense Authorization Act, FY 1989, authorized the Secretary of Defense (the Secretary) to provide logistical support and personnel services to Federal, State, and local government entities for the 1990 Goodwill Games. The Secretary was to provide support and administrative services on a reimbursable basis. However, the Secretary was authorized to waive the reimbursable requirement on a case-by-case basis if:

- the Attorney General of the United States certified that potential threats could not be dealt with adequately by the other entities concerned;

- the Attorney General recommended that reimbursement be waived to provide security essential to the national interest; or

- unusual circumstances made it impractical for the entities to reimburse DoD.

In a letter dated February 8, 1989, the Deputy Attorney General recommended that the Secretary waive reimbursement to DoD for funds spent in FY's 1989 and 1990 to support the Seattle, Washington, area law enforcement community in aviation support, communications, intrusion detection systems, access control, training, and security equipment required during the Goodwill Games. The Secretary agreed with the recommendation.

The Secretary appointed the Assistant Secretary of Defense (Force Management and Personnel) to manage all DoD support for the 1990 Goodwill Games. Subsequently, the oversight of DoD support was delegated to the Office of Economic Adjustment. DoD received \$5 million in FY 1989 and \$14.7 million in FY 1990 to provide necessary support. The FY 1990 funds remain available for obligation until March 31, 1991. In the past, DoD has provided similar logistical support for the Pan-American games and the Olympic games.

Prior Audit Coverage

There has been no prior audit coverage. However, the U.S. Army Audit Agency made an audit of Army support for the 1990 Goodwill Games. The objective was to ensure that the Army was accurately reimbursed for its support. No major findings had been identified at the time our report was issued.

We provided a draft of this report to the addressees on October 1, 1990. Because there were no recommendations, no management comments were required, and none were received. Therefore, we are publishing this report in final form. Any comments on this final report should be provided within 60 days of the date of this memorandum.

The courtesies and cooperation extended to the auditors are appreciated. If you have any questions about this report, please contact Mr. Raymond D. Kidd, Program Director, at (703) 614-1682 (AUTOVON 224-1682) or Mr. Donald G. Stoll, Project Manager, at (703) 693-0445 (AUTOVON 223-0445). Distribution of this report is shown at Enclosure 2.



Robert J. Lieberman
Assistant Inspector General
for Auditing

Enclosures

cc:

Secretary of the Army
Secretary of the Navy
Secretary of the Air Force

ACTIVITIES VISITED OR CONTACTED

Office of the Secretary of Defense

Office of Economic Adjustment, Arlington, VA
Resource Support Team, Seattle, WA
Resource Support Team, McChord Air Force Base, WA
Washington Headquarters Services, Washington, DC

FINAL REPORT DISTRIBUTION

DoD Activities

Office of the Secretary of Defense

Assistant Secretary of Defense (Force Management and Personnel)
Assistant Secretary of Defense (Public Affairs)
Comptroller of the Department of Defense
Director, Office of Economic Adjustment
Director, Washington Headquarters Services

Department of the Army

Secretary of the Army
Assistant Secretary of the Army (Financial Management)
The Inspector General
Auditor General, U.S. Army Audit Agency

Department of the Navy

Secretary of the Navy

Department of the Air Force

Secretary of the Air Force

Non-DoD Activities

Office of Management and Budget
U.S. General Accounting Office,
NSIAD Technical Information Center

Congressional Committees:

Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
Senate Ranking Minority Member, Committee on Armed Services
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Ranking Minority Member, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Operations
House Subcommittee on Legislation and National Security,
Committee on Government Operations